

# **THE THIRD PILLAR:**

## **How Markets and The State Leave The Community Behind**

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# The Three Pillars – The Core Constructs of the Book

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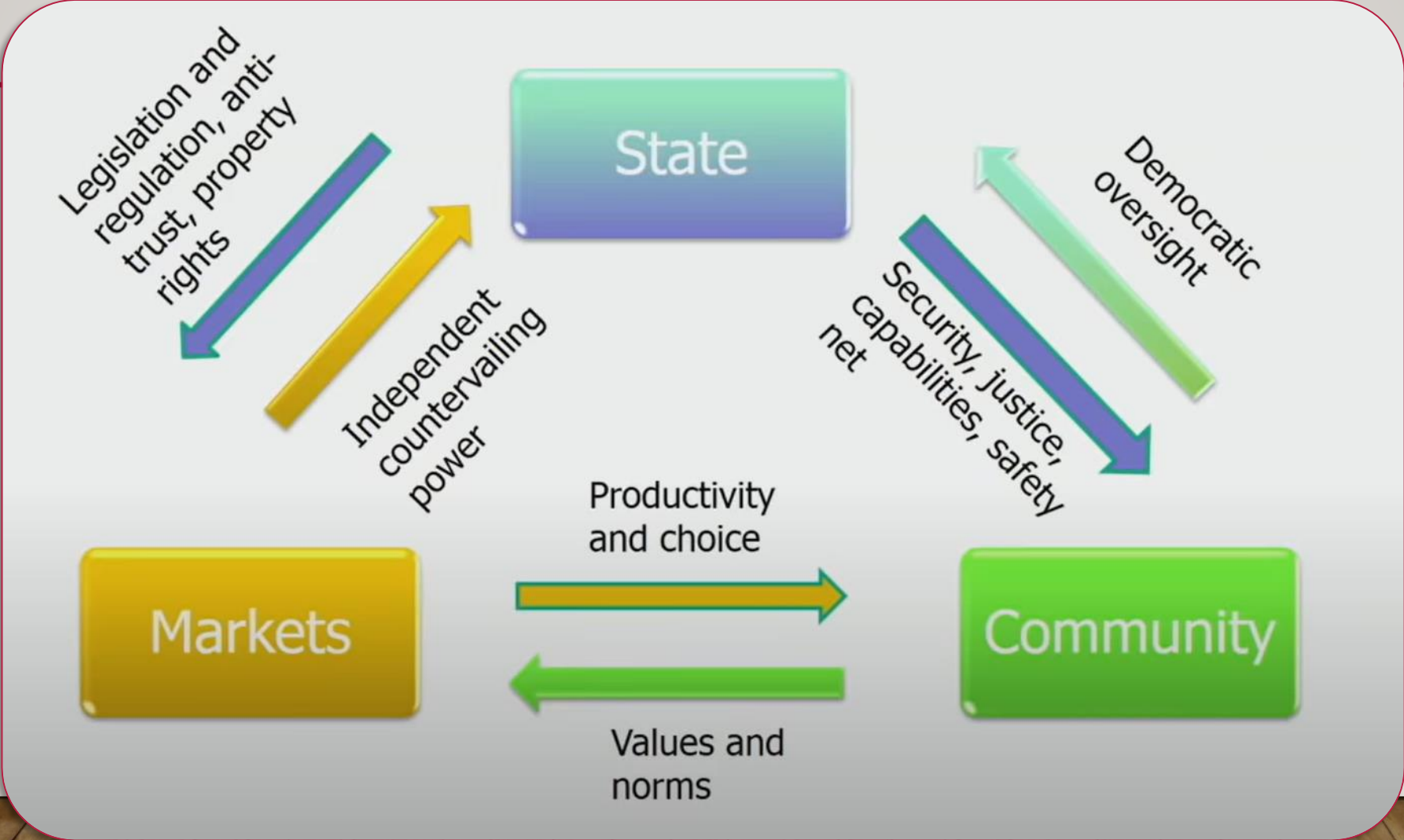
Society rests on three “pillars” -

1. The State
  - a) Guarantees Law and Order
  - b) & Providing the Infrastructure to Make Social Life Possible
2. Markets
  - a) Provide Outlet for Ingenuity (Creating Choices) and Wealth Creation
3. & Communities
  - a) Create a sense of Attachment, Identity & Solidarity.
  - b) Source of Informal Institutions

Societies Only Create the Conditions for Human Flourishing when each of these three supports is **Equally Strong**

- **Undermine** any **One Pillar** and the **Whole Structure Weakens**

# Interdependence of the Pillars



# The **Historically-Illusive Balance**

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1. This **Balance** has been **Historically Elusive**.
2. **Medieval Society**
  - a) had **Strong Communities**
  - b) but **Lacked both a Capable State and Thriving Markets**.
3. **Commercial Nations in the 18<sup>th</sup> and 19<sup>th</sup> Centuries, in contrast**
  - a) Had **Thriving Marketplaces**
  - b) But **Lacked a State** capable of creating the **Level Playing Field**.



# The **Historically-Illusive Balance**

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4. **Post failure of the State-driven Models, - Unprecedented Growth after the Second World War,**
  - a) **Western Societies attempted to Construct a New Order that**
    - i. **Emphasized Efficiency and Profit-making.**
    - ii. **Trickle-Down Economics**
  
5. **Resulted in?**
  - a) **Inequality has Exploded**
  - b) **Created a Resentful Class (those who've been left behind)**
    - a) **Poorly Equipped to deal with the Challenges of Globalization.**
    - b) **Has Fueled the Great Anti-establishment Crusade of Today's Populists.**

# Dissecting the Status Quo & How we Got here?

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5. Technology created Opportunities and Threats which have Differentially Impacted Different Segments of the Society
  - a) Higher Competition Due to Globalization
    - i. Product Markets
      - a) Access to Global Markets
      - b) Cheaper Overseas Labor and Other Factors of Production
    - ii. Labor Markets
      - a) Greater Wage Competition from Immigrants
  - b) An Upward Shifting of Regulatory Empowerment: Alienating Local Communities
    - i. From Local -> National -> International Level (Basel Capital Accords)
  - c) Has Encouraged Communities to Wall Out non members through 'Othering Process'.

# The Process of Othering – Fueling Protectionism

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1. **Othering Process - View or Treat** (a person or group of people) as **Intrinsically Different From** and **Alien to Oneself**.
  
2. **Communities** have **Walled Out “Others”**
  - a) **Zoning** distances the **Rich** from the **Poor**
    - i. **Widens** the **Divide**
    - ii. **Elite Schooling Separate** from the **Commoners**
  - b) Have **made** the **Immigrants** and **Trade** the **Enemy**
  - c) **Barriers to trade** have been **Established**

# What is the Solution?

## 1. Introducing Inclusive Localism

- a) Devolve as much Decision Making to the Community Level
- b) Use Technology to Increase Community Engagement
  - i. The 'Fix It App' in Chicago
- c) Use existing Digital Tech to Bring High Quality Education Access to Everyone
- d) Lower Community Walls within the Nation
- e) View State-Controlled Immigration as a Positive Phenomenon
  - i. Filling Labor Market Gaps

Responsible sovereignty

Civic nationalism and open national markets

Inclusive localism

International

National

Regional

Community



# Why Reading The Whole of Rajan's Perspective Is Worth It?

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1. Because He Eloquently shows us that it doesn't have to be this way.
  
2. The Book Details:
  - a) How the nation-state eventually replaced the medieval social order;
  - b) Why China will have to rethink its Current Economic Model;

**Thank You  
For  
Your Time & Attention**

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